

JOURNAL

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Web site: www.bpa.gov/corporate/kc/home/journal

BPA cancels Enron contracts; NW saves millions

The Bonneville Power Administration has reached an agreement with representatives of Enron's creditors terminating all remaining contracts with the bankrupt company. BPA estimates the action will reduce a proposed 15 percent wholesale rate increase by about 2 percent.

The agreement saves more than \$40 million for Northwest ratepayers, a discount of 30 percent off of the market value of the contracts. Under the agreement approved by the bankruptcy court, BPA pays Enron's creditors \$99 million.

The agreement also resolves legal uncertainty about other Enron contracts BPA unilaterally terminated early in 2002. Those terminations saved ratepayers approximately \$150 million, which is already figured into BPA's rates.

"We were able to negotiate a very beneficial settlement for ratepayers," said BPA Administrator Steve Wright.

"The agreement avoids high legal costs and unpredictable rulings by regulators and the courts. It's a significant step among our efforts to reduce costs and provide certainty at a moment when the Northwest economy needs it most."

Wright said he particularly wanted to thank Senators Ron Wyden, D-Ore., and Maria Cantwell, D-Wash., for their unflagging pursuit of a resolution of Enron bankruptcy issues in a way favorable to Pacific Northwest consumers. "Their strong support in this matter put us in a better position to negotiate the agreement," he said.

BPA's portfolio of business with Enron dates back to 1998 when the company was a major market participant. In 2001, utility and industrial customers throughout the region placed an additional 3,000 average megawatts of demand on BPA under new five-year

agreements. Lacking sufficient generation from the federal system, BPA met some of the need by entering into five-year contracts to buy power from marketers, including Enron.

BPA purchased about 300 average megawatts from Enron at an average price of about \$52 per megawatt-hour to be delivered between 2003 and 2006. At the

time, market prices ranged as high as \$100 per MWh. Prices today are a little above \$35 per MWh. After Enron filed for bankruptcy in 2001, the company continued to honor its BPA contracts by delivering power.

BPA will pay the settlement from a government fund that provides money for resolution of legal disputes. The agency will repay the fund over seven years.

Agreement reached on Seattle-area transmission line

Bonneville Power Administration and the city of Seattle have announced a proposed settlement that would provide nearly 600 acres of

land to Seattle in exchange for allowing construction of a proposed transmission line through the Cedar River Municipal Watershed, which supplies drinking water to people throughout King County, Wash. The land is adjacent to the watershed and will help improve water quality protection, enhance security and benefit fish and wildlife habitat.

The proposed Kangley-Echo Lake 500-kilovolt line is urgently needed to bolster reliability of power transmission in the King County area and supply power to Canada as required by federal treaty. The line will



Deputy Secretary of Energy Kyle McSlarrow (left) shakes hands with Rep. George Nethercutt, R-Wash., after breaking ground for BPA's 500-kV Grand Coulee-Bell line. Also manning shovels were (center to right) BPA Administrator Steve Wright, Senior Vice President for Transmission Mark Maher and Project Manager Mark Korsness. See page 2 for story.



minimize the risk of power curtailments in the Puget Sound area during extreme cold weather.

"This agreement serves the public interest in three ways," said BPA Administrator Steve Wright. "It ensures that the new power line will be built and operated in a way that keeps Seattle's water supply pure; it protects and even improves the natural environment of the Cedar River and Raging River watersheds; and it provides reliable electricity to meet the growing needs of the metropolitan area."

The line will be built adjacent to the existing Raver-Echo Lake 500-kV line. BPA will use construction practices that avoid or minimize environmental damage and has committed not to pursue any future right-of-way expansion in the watershed.

BPA has agreed to purchase insurance to protect Seattle from harm that may arise from the construction of the proposed transmission line in the watershed. BPA will also establish an insurance set-aside fund to protect Seattle's Habitat Conservation Plan and work to mitigate impacts in the upper Raging River basin. Based on BPA's commitments, the Sierra Club has indicated it will no longer oppose the line.

BPA plans to release the final environmental impact statement for this project by July 1.

The proposed settlement will be presented to the Seattle City Council and the Washington State Department of Health for their review and possible approval. If the proposed settlement is approved, BPA expects to start construction in August and have the transmission line in operation early next year.

Deputy energy secretary gives BPA strong support at Coulee-Bell groundbreaking

Deputy Secretary of Energy Kyle E. McSllarrow came to the Northwest to break ground for the Grand Coulee-Bell transmission line construction project and declared his confidence in BPA's management through its current fiscal challenges.

"I want to express that we have full confidence in Administrator Wright and his team to make decisions that protect the near- and long-term economic and environmental health of the region," McSllarrow asserted at a gathering of Spokane, Wash., area leaders attending a ground breaking ceremony for the line.

The deputy secretary, second in command of the department, said BPA was headed in the right direction with its efforts to recover from fiscal problems plaguing the agency. But he cautioned that BPA should ensure that it makes its full Treasury payment and tries to avoid borrowing money to cover operating costs. He urged customers to have a long view of BPA's needs and to cooperate in resolving shorter term issues.

"The Pacific Northwest has a tremendously valuable economic asset in the Federal Columbia River Power System," he said. "Our goal is to work together to retain its value and meet the economic and environmental objectives of the region."

BPA Administrator Steve Wright joined McSllarrow in commending Congressman George Nethercutt, R-Wash., and other members of the Northwest congressional delegation for their support in obtaining additional borrowing authority for transmission construction. Nethercutt joined McSllarrow, Wright, Transmission Business Line chief Mark Maher and project manager Mark Korsness in turning the first spades of dirt to commence construction.

The Coulee-Bell project is the first transmission line to be built under BPA's infrastructure expansion program to relieve congested transmission paths in the region.

"This is our first major transmission line construction since 1987," said Wright. "During construction, we expect this project to provide about 200 jobs for people in the Pacific Northwest." Wright added that about 85 percent of the money to be spent on labor and materials would remain in the Northwest.

BPA's last transmission line project was also built in the Spokane area when the Taft-Bell line was completed to bring power to the Northwest from the Colstrip generation plant in Montana.

BPA reports to the region on its finances

"Sometimes uncomfortably candid" and "not always flattering," but precisely what the agency needs to see. Those are BPA Administrator Steve Wright's assessments of the report released to the region on the roots of BPA's current financial condition. "I wanted a candid examination that would allow us to learn truly constructive lessons," Wright said.

The report, "What Led to the Current BPA Financial Crisis?" provides a broad chronology of the events of the last 10 years that led up to the agency's current financial condition. It also examines current cost-cutting efforts before laying out eight significant lessons that have been learned. They are:

- BPA costs and risks are driven heavily by the load obligations assumed
- The delay in defining and meeting load obligations increased cost and risk
- BPA relied too much on highly variable secondary revenues to cover largely fixed costs
- BPA needs to better establish and manage costs
- Long-term contracts that can lead to inequitable results need to be avoided
- A change in approach to decision making is needed

- There are limits to risk BPA can assume
- Changes are needed in internal management

An action plan defining steps BPA is taking to achieve financial stability and prevent a repeat of the current situation is next on the agenda. "We are committed to using these lessons to improve the management of the agency and the Federal Columbia River Power System," Wright said.

BPA completes fish policy EIS

The Bonneville Power Administration has completed an environmental impact statement on policy directions for the agency's fish and wildlife mitigation and recovery efforts in the region. The study is unique in that it examines all the ongoing regional fish and wildlife actions and programs and distills them down to five broad themes ranging from a natural river focus on one extreme to a commercial river focus on the other. The EIS has been three years in the making.

"Any policy adopted for fish and wildlife actions in the region will have environmental impacts," said Charles Alton, BPA project manager. "This study may be the first to test nearly everything we presently know and do in the region for fish and wildlife."

Developing the study actually started in 1998 when those representing many different fish and wildlife views gathered to identify more than 40 different issues that any regional fish and wildlife policy must address. In the new environmental study, the five broad themes were tested against each of those issues.

"BPA has identified a preferred alternative in the EIS, which is actually a combination of two alternatives," said Alton. "A key point about that choice is that it is designed to be flexible and respond to future changes."

The results are significant in volume as well as import. The report is three volumes and more than 800 pages long. It will be posted on BPA's fish and wildlife Web site at www.efw.bpa.gov. Copies will be available via computer compact disks.

Canadian benefits head home

BPA is delivering more than 500 average megawatts from U.S. Northwest dams to British Columbia. A 30-year sale of power by British Columbia Hydro to Northwest utilities under the 1964 Columbia River Treaty ended on March 31.

Canada is entitled to a share of the downstream power production resulting from the Columbia River Treaty. This entitlement is compensation for Canada's agreement to build storage dams on the Columbia River in British Columbia, which resulted in significant increased generation downstream in the U.S. as well as improved flood control.

The change has a big impact on BPA. On April 1, the amount of this Canadian entitlement delivered to British Columbia increased by over 80 percent. BPA is now delivering 534 average megawatts per month to BC Hydro, about as much as the average output of Bonneville Dam. Peak deliveries have increased from 642 MW to 1,171 MW — as much as full operation of the Columbia Generating Station nuclear plant.

PUBLIC INVOLVEMENT Updates and Notices

NEW PROJECTS

BP Cherry Point Cogeneration Project Interconnection EIS – Whatcom Co., Wash.

BP West Coast Products, LLC, has requested interconnection of its proposed 720-MW combustion turbine project at their Cherry Point Refinery near the community of Birch Bay, Wash. The project may require rebuilding an existing single-circuit 230-kV transmission line to double-circuit, from Cherry Point to Custer Substation. The project is subject to Washington energy facility siting process. BPA and Washington EFSEC are developing a joint SEPA/NEPA DEIS expected to be published this spring.

ONGOING PROJECTS

BPA's Power Supply Role After 2006 – Regionwide

A regional discussion regarding how BPA will market power and share the costs and benefits of the Federal Columbia River Power System in the Pacific Northwest after 2006 will proceed at a slower pace for now. External discussions may continue regarding benefits to residential and small farm customers of IOUs as well as BPA's projected post-2006 cost structure. The reason for the slower pace is the need to focus more attention on near-term cost and rate matters.

Please refer to BPA's Web site at www.bpa.gov/power/regionaldialogue for up-to-date information, or contact Jenifer Scott at (503) 230-7685.

COB Energy Facility Interconnect EIS – Klamath Co., Ore.

Peoples Energy Resources Corp. has requested interconnection of its proposed 1,200-MW combustion turbine project at a site near Bonanza in Klamath Co., Ore. The project would require a new 500-kV transmission line to BPA's Captain Jack Substation. The project is subject to Oregon Energy Facility Siting Council certification. The DEIS is scheduled for publication later this year.

Conservation and Renewables Discount Program – Regionwide

The C&RD program requirements and technical information are being updated. March 30 marked the deadline for interested parties to offer petitions to improve C&RD policy, program implementation and technical issues. During the first week of May, a summary of the comments received and BPA's proposed changes will be distributed for a 30-day comment period. Copies of the C&RD manual can be found on BPA's Web site: <http://www.bpa.gov/Energy/N/>.

Fish and Wildlife Implementation Plan EIS – Regionwide

This EIS examines potential impacts of implementing any of the fish and wildlife policy directions being considered in regional processes. BPA has developed a preferred alternative using regional guidance. The three-volume FEIS is available in CD or hard copy format.

Grand Coulee-Bell 500-kV Transmission Line (Eastern Washington Reinforcement) EIS – Wash.

A groundbreaking ceremony was held April 24 in Spokane, Wash., to initiate construction of the 500-kV transmission line. This project is replacing about 84 miles of 115-kV transmission line with a new higher-capacity 500-kV line. The line connects BPA's Bell Substation in Spokane to the Bureau of Reclamation's switchyard at Grand Coulee, Wash., and is located primarily on an existing BPA right-of-way. The FEIS was released Dec. 6. The ROD was released Jan. 10. See www.transmission.bpa.gov/projects for more information.

Grande Ronde and Imnaha Spring Chinook Project EIS – Wallowa and Union Cos., Ore.

Fish trapping, incubation, rearing and release hatchery facilities would be built to help boost spring chinook salmon populations in the Grande Ronde and Imnaha river basins of northeast Oregon. Planned facilities would modify and augment existing Lower Snake River Compensation Plan facilities. A summary of the public scoping comments is available on request. A DEIS will be available for comment in May.

Johnson Creek Artificial Propagation Enhancement EA – Valley Co., Idaho

This project seeks to recover the creek's depleted native summer chinook salmon population. It would include additional facilities at the McCall Fish Hatchery in McCall, Idaho, and acclimation facilities along Johnson Creek. This project is currently on hold.

Kangley-Echo Lake Transmission Line Project – King and Kittitas Cos., Wash.

BPA proposes to build a 500-kV transmission line to connect an existing transmission line near Kangley to BPA's Echo Lake Substation in western Washington. BPA's preferred alternative would run parallel to the major portion of the Raver-Echo Lake 500-kV line. The project is needed to improve transmission system reliability and to enhance BPA's ability to meet treaty requirements with Canada. BPA has prepared a supplemental DEIS that analyzes alternatives not considered in detail in the DEIS. The supplemental DEIS was released for a 45-day public and agency review in January 2003. The comment period ended on March 1. BPA is preparing a FEIS and intends to release the document early this summer. Following the release of the FEIS, BPA will make a decision on the proposal. See www.transmission.bpa.gov/projects for more information.

Plymouth Generating Facility EIS – Benton Co., Wash.

Plymouth Energy requested interconnection of its proposed 306-MW combustion turbine project near Plymouth in Benton Co., Wash. BPA is preparing a joint NEPA/SEPA EIS with Benton Co. A DEIS is available for review. The comment period on the DEIS ended on Oct. 15, 2002. An FEIS is anticipated to be released this spring.

Power Rate Proposal (SN CRAC) NEPA Review – Regionwide

As part of its NEPA review for the proposed Safety Net Cost Recovery Adjustment Clause (SN CRAC) adjustment to BPA's 2002 Wholesale Power Rates, BPA will hold a public meeting on Tuesday, May 20, from 7 to 9 p.m. at BPA headquarters, 905 NE 11th Ave., Room 122, Portland, Ore. This meeting will be held to receive comments from the public on BPA's NEPA compliance strategy and other environmental issues for the rate proposal. BPA also will accept written comments on NEPA-related issues through May 27.

Please limit comments made as part of this NEPA public process to only environment-related comments as BPA does not plan to address other comments (e.g., comments on whether BPA should adjust rates or the technical merits of the rate proposal, which have been the subject of separate public meetings) in its NEPA review for the proposal. Written comments can be provided either electronically or via mail. Electronic comments should be sent to:

comments@bpa.gov. Written comments should be sent to: Bonneville Power Administration, P.O. Box 12999, Portland, OR 97212. BPA will not provide responses at the May 20 public meeting to comments and issues raised, but will instead address these comments, as well as any written comments received by May 27, in the NEPA documentation to be prepared by BPA for this rate proposal. (See *calendar of events and close of comment*.)

Raymond-Cosmopolis 115-kV Transmission Line EA – Grays Harbor and Pacific Cos., Wash.

BPA proposes to rebuild an existing 115-kV transmission line between Raymond and Cosmopolis, roughly parallel to Hwy. 101. Most of the 18-mile-long line will remain in the existing right-of-way. The preliminary EA was released for public review in February. The comment period ended Feb. 26. Public meetings were held Feb. 11 in Cosmopolis and Feb. 12 in Raymond. This project is currently on hold. See www.transmission.bpa.gov/projects for more information.

Salmon Creek EIS – Okanogan Co., Wash.

BPA proposes to fund a project to enhance fish habitat and fish passage and to increase instream flows in 4.3 miles of lower Salmon Creek, a tributary of the Okanogan River. The project would rehabilitate the stream channel, revegetate stream banks and increase streamflows. A DEIS is anticipated in fall 2003.

Schultz-Hanford Area 500-kV Line Project – near Ellensburg to near the Hanford Reservation, Wash.

BPA proposes to build a new 500-kV line from Schultz Substation to the new Wautoma Substation southwest of the Hanford Monument. A FEIS was released in February. The ROD was released in March. Construction on the new Wautoma Substation is scheduled to start in May. See www.transmission.bpa.gov/projects for more information.

South Fork Flathead Watershed/Westslope Cutthroat Trout Conservation Program – Flathead National Forest, Mont.

BPA proposes to fund a project to remove exotic trout species from selected lakes in the South Fork of the Flathead drainage. BPA is preparing an EIS. Comments and suggestions on the proposed action are being accepted at comment@bpa.gov. Call to be placed on the mail list. Additional information at www.efw.bpa.gov/cgi-bin/efw/E/Welcome.cgi.

Wanapa Energy Center Generation Proj. EIS – Umatilla Co.

The Confederated Tribes of the Umatilla Indian Reservation requested interconnection of the Wanapa Energy Center, a proposed 1,300-MW gas-fired combined-cycle combustion turbine project, into the transmission grid. The project would be located on tribal trust land. The Bureau of Indian Affairs plans to prepare a DEIS in Feb. 2004 with a FEIS in July and a ROD in Sept. 2004. BPA is participating as a cooperating agency.

White Sturgeon Mitigation and Restoration in the Columbia and Snake Rivers Upstream of Bonneville Dam EA – Ore., Wash. and Idaho

EA completed and is available at www.efw.bpa.gov/cgi-bin/efw/E/Welcome.cgi.

CLOSE OF COMMENT

Power Rate Proposal (SN CRAC), Rate Setting Process – May 1

Power Rate Proposal (SN CRAC), NEPA compliance strategy – May 27

CALENDAR OF EVENTS

Power Rate Proposal (SN CRAC) – NEPA compliance strategy

May 20, 7 to 9 p.m., BPA headquarters, 905 NE 11th Ave., Room 122, Portland, Ore.

If you have questions or comments, or you want to be added to the mailing list for any project, call (503) 230-3478 (Portland) or 1-800-622-4519.

To order copies of documents, call: 1-800-622-4520 or (503) 230-7334. Written comments may be sent to: BPA, P.O. Box 12999, Portland, OR 97212. E-mail address: comment@bpa.gov. BPA home page: <http://www.bpa.gov>. For details on BPA environmental reviews listed above, including site maps and documents issued to date, see <http://www.efw.bpa.gov/cgi-bin/PSA/NEPA/Projects>. **Process Abbreviations:** EA-Environmental Assessment, EFSEC-Washington Energy Facility Site Evaluation Council, EFSC-Oregon Energy Facility Siting Council, EIS-Environmental Impact Statement, DEIS-Draft Environmental Impact Statement, FEIS-Final Environmental Impact Statement, FONSI-Finding of No Significant Impact, NOI-Notice of Intent, ROD-Record of Decision, SA-Supplement Analysis.

